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Perkins, George Walbridge

The outlook for prosperity

[New York]

1915

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The Outlook for Prosperity

Economics New vs. Economics Old

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An Address Delivered Before the Economic Club of New York, Wednesday Evening, February 10, 1915

by

GEORGE W. PERKINS

Republished from The Market World and Chronicle
New York, 1915

FOREWORD

All Americans with seeing eyes and thinking brains are agreed that, despite our happy escape from the agonies of war, the United States as a whole is to-day neither a prosperous nor a contented country. And this cannot be attributed solely to the reaction upon us of the confusion and destruction in which all Europe is involved. Beyond doubt, we have suffered severely from the world-embracing effects of the European struggle; but before there was war or hint of war in Europe, things were not well with us. There had come some check to our national progress, some blight upon the courage and initiative of the leaders of our affairs, some loss of accurate and harmonious functioning in our economic and social machinery, some inability to maintain the efficiency of sound and willing co-operation throughout the public and private business of the Nation. A certain distraction both of ideas and of effort was becoming apparent; warring elements in the body politic were producing their customary effects of uncertainty, disquietude and disinclination to undertake creative work on a large scale. Politics was both reflecting and accentuating the prevalent lack of a sense of national unity and morale. The politicians were throwing into continually stronger relief the clashes of interest and feeling between section and section, class and class. The people generally were uneasy in mind.

And now, in the light of the superb unanimity and co-operative efficiency of the warring peoples of Europe, we are beginning to perceive both the root of our own disease and the task of restoration, through adjustment to a new order of things, which we have ahead of us, if we are to maintain our place in the front rank of nations. Unless we will admit that our future is hopeless, we cannot dodge the problem. And first we must ascertain the principles that are governing. It is the aim of the following pages to give in brief the results of the long reflection of a man of large affairs upon the question of what these principles really are.

THE EDITORS,

The Market World and Chronicle.

THE OUTLOOK FOR PROSPERITY

ECONOMICS NEW vs. ECONOMICS OLD

By George W. Perkins

SOMETHING must be wrong when, in a country as marvelously rich as ours in agricultural and mineral resources, where the people are industrious and ambitious, it is necessary for the members of the Economic Club of New York to spend an evening discussing the outlook for prosperity. What is the trouble? Is it superficial or fundamental? For one, I believe it is fundamental; that it is a conflict between economics new and economics old,—a conflict that has been raging in this country for twenty years or more.

In recent years we have been given a myriad of inventions having to do with steam, electricity and wireless, every one of which has made possible the expansion of man's energies and opportunities. At the same time we have been given a myriad of laws having as their one and only object the contraction of man's energies and opportunities. As a matter of fact, it is difficult to recall one single permissive or constructive law, either State or National, that has been passed in recent years. I do not know of a piece of recent National legislation that has had as its declared or underlying purpose the promotion of business and the protection of investor, laborer and consumer, or that has been based on sound twentieth century economics and morals. The inventor has been headed in one direction, the lawmaker in exactly the opposite direction. How can we expect prosperity under such conditions? A house divided against itself must fall, and our prosperity has fallen.

In 1876, Messrs. Bell and Watson startled the world by announcing that they had talked to each other over a two-mile wire while they themselves were in Cambridge and in Boston, respectively. Since then the telephone has been gradually perfected, until last week the same two men were able to talk to each other while their bodies were in New York and San Francisco. In 1876, San Francisco was 3,400 miles from New York, and the only possible way then for a man in New York to talk to a man in San Francisco

was by transporting his body from New York to San Francisco, which at that time took eight or nine days. Through the perfection of the telephone the 3,400 miles separating San Francisco from New York have been annihilated; and, for conversational purposes, business in San Francisco is now nearer to the New Yorker with a long distance telephone than is his neighbor around the corner who has no telephone. We do not do business with our bodies, we do it with our minds; and the telephone has emancipated the mind from the body and given it wings, so to speak, which allow it to go hither and yon, doing business where it will, while the body remains in one place. San Francisco is no longer 3,400 miles from New York; it is only a few seconds from New York.

This is but one of countless illustrations of the new economics vs. the old.

While this miraculous economic transformation has been taking place almost all our political leaders and so-called statesmen have stood still, both in thought and in action; they have refused to budge an inch toward accepting the new conditions, or toward changing their own views on economics, as they learned them, when boys, from books that are now musty and obsolete. The result has been a great tug of war between our vast body of political leaders and our vast body of business leaders,—first, because of the utter and complete lack of thought, study and research on the part of our political leaders as to the new economic conditions under which we have suddenly found ourselves living; and second, because our business men, confronted with these mighty economic changes, have been obliged to adjust themselves to the new economic conditions and yet try to comply with laws enacted to meet the old economic conditions.

Did any man in this room ever hear of a political leader or so-called statesman delivering a speech in a State legislature or the National Congress, calling the attention of the people to the mighty changes that have taken place in the methods of intercommunication during the last twenty years and pointing out that, as intercommunication is the first requisite for doing business, these mighty changes are entirely responsible for the centralization of business?

On the contrary, speech after speech has been made, haranguing our people with the grossly misleading statement that the trusts

exist because of the tariff and the greed and avarice of a small group of men. A more pernicious and misleading statement has never been thrust on the attention of our people. No one would dare make it, if our political leaders had their minds on the real problem, rather than on vote-getting; if they really studied big industrial questions from the viewpoint of the public good, rather than their own good; if they had the courage and honesty to stand up for what is right and sound in law and business, rather than for what is for the moment popular. The tariff never made a trust and free trade never will destroy one. It requires only a little serious, intelligent thought to reach the inevitable conclusion that, if we were given free trade in this country to-morrow, not a single so-called trust would dissolve; on the other hand, even though our tariff were put as high as the mountains, if that strange force that we call electricity were suddenly withdrawn from our use, and the telephone and the telegraph went out of existence, not a single so-called trust could continue for twenty-four hours. In all the hours and years of debate on the question of corporations and big business I doubt if a single speech has ever been made, calling attention to the great fundamental fact that a volcanic upheaval has taken place in methods of intercommunication; that the ox-team, the stage coach, the sailing vessel and the horse car have been buried deep in the ashes of the past, and in their place have arisen steam, electricity and the wireless. While this great change has come suddenly, it has come so naturally that we have scarcely stopped to realize that it has shaken the very foundations of our economics; for with the disappearance of old methods of intercommunication has disappeared the old school of economics, and with the advent of new methods of intercommunication has arisen a new school of economics.

In 1876, when Bell first used the telephone, our tariff was much higher than it is to-day, and yet there was not a single so-called trust or giant corporation in this country at that time. If you will trace the evolution of the trust from the day that Messrs. Bell and Watson talked over that first telephone line in 1876, down through the last forty years, you will find that centralization of all sorts,—in society, in the growth of cities, in department stores, in methods of transportation, in giant office buildings, in corporations and trusts,—

has kept almost exact pace with the development of the telephone, of electricity generally, of steam and the wireless. Yet while this progress has been going on, mighty and gigantic as it has been, our political leaders, by speech and act, have shown themselves to be entirely oblivious to what was happening. They have had the effrontery to stand up before our people and tell them that the centralization of business power has been largely due to our protective tariff and greedy, unscrupulous men; and that, by legislation, this centralization can be stopped and we can be turned back to the methods under which our forefathers did business,—when, as a matter of fact, there is only one law that could accomplish this, viz., a law that would make it a penal offense to use steam or electricity. You might as well attempt to change the course of the sun as to attempt through legislation to return us to the business conditions of our forefathers, while permitting us to use steam and electricity. It is not the trusts that have made the times; it is the times that have made the trusts.

When a man elected to one of the highest offices in the gift of our nation makes a definite and public statement, and that statement is printed by our newspapers and carried to the people throughout the land, we must not blame the people for accepting it as the truth, especially when it goes unchallenged. To illustrate precisely what I mean, the President of the United States during the last few weeks has repeatedly assured the country that prosperity is knocking at our door, because of the legislation the Democratic Party has enacted during the last two years; that the Government has no further quarrel with business; that business on a large scale is perfectly legitimate; that size is no crime; that business enterprises should be measured by the standard of conduct alone.

While the President has been delivering these addresses, the business world has been confronted with the following actualities: In the Government suit to dissolve the International Harvester Company the United States District Court for the District of Minnesota handed down a decision a short time ago, dissolving that company on the ground that it had acquired too large a percentage of the business in which it was engaged; yet all the judges who joined in the decision gave the company a clean bill of health as to its conduct and even went so far as to criticize the Government for charging that the company had improperly conducted its business. The Harvester Company has taken an appeal to the Supreme Court.

Again, only three weeks ago, the United States District Court for the Eastern District of Pennsylvania,—a court of precisely the same standing and power as the court that decided against the Harvester Company,—handed down a decision refusing to dissolve the Keystone Watch Case Company, specifically stating that, in its opinion, under the Sherman Law size is no crime; that the company had been guilty of a few improper practices, but that these could and should be reached by governmental injunction and not by governmental dissolution. The Attorney General has appealed this case to the Supreme Court.

Here we have the President saying that size is no crime; and here we have the President's Attorney General at almost the same moment appealing to the Supreme Court to overrule the Circuit Court and decide that size is a crime. Here are two Circuit Courts of exactly the same rank and judicial power, second in authority only to the Supreme Court itself, handing down within a few weeks of each other decisions that are absolutely in conflict. Could there be confusion worse confounded?

When our highest courts cannot agree as to what the business laws of the country mean and permit, when the President talks one way and his Attorney General acts the other, how can a business man know on what basis he can do business? How can capital be expected to invest money in enterprises and do business and employ labor? What say you of the outlook for prosperity under such conflicting and impossible conditions?

Now, you gentlemen who are listening to me this evening know that business has got to be done on *facts*, on *acts*, and not on theories and the personal opinions of individual men, no matter how important may be the governmental positions they temporarily hold. Eager and anxious as our great business world is to follow President Wilson in his assurance that all is well between the Government and business, that capital need no longer hesitate, and that business may forge ahead, it is utterly impossible for it to do so while actually existing conditions are as outlined above. The decisions in the Harvester and Keystone Watch cases prove beyond the shadow of a doubt that up to

date no business man, no lawyer, no court has been able to find out definitely how business can be done legally, on a large scale, under the Sherman Law.

Prosperity that is permanent, that is fair to one and all, cannot be had while all these contradictory conditions exist; and they exist largely because the business men of our country have been so obsessed with chasing the "almighty dollar" that they have neglected their civic duties. They have allowed our politicians to talk any sort of "hot air" doctrine to the people, that would temporarily bring success at the polls; and they have not lifted a voice or raised a hand to point out to the people the absolute falsity of the doctrines that were being preached.

While these things have been happening in our own country, our greatest industrial competitor, Germany, has been pursuing exactly the opposite course. While our so-called statesmen have been haranguing our people on the subject of giant corporations being a menace to their liberty, to their business and physical welfare, and have been demanding that we return to the methods of ruthless competition and abandon the idea of co-operation, German statesmen have been preaching exactly the opposite doctrine to their people. For twenty-five years Germany and this country have been pursuing opposite economic policies. Our Sherman Law was passed twenty-five years ago; and since that time, and particularly during the past fifteen years, our politicians have thrived and grown fat in an effort to force our business men to do business under a literal interpretation of that law, which, our politicians have told us, means the breaking up of all large business units and the holding of our commercial relations to a strictly competitive basis.

Twenty-five years ago Germany was the land of the small industrial unit, and her people were leaving the country every year in large numbers, seeking some other land where they hoped to find better industrial conditions. Then Germany gradually changed her system of economics. Her political leaders, her statesmen, with great foresight and after careful thought and study, realized that modern intercommunication must inevitably mean centralization, vast expansion in trading opportunities, vast responsibilities for the State, vast additional powers for the man of large mental endowment and of large

means. In place of passing laws to repress and repel and prohibit all this, the Germans took exactly the opposite course and began to gather their industries together into large units, under the watchful eye of the Government or under the actual control of the Government in some form. Rapidly, and practically in unison with the mighty growth of intercommunication, Germany has forged ahead during the last twenty-five years, centralizing her various industries, until now nearly every industry in Germany is organized and centralized in some form of large business unit. As a result, great commercial power and vast commercial profits have come to her people. And now, mark this well: While this centralization has been going on, emigration from Germany has fallen from what was a very large figure twenty-five years ago, practically to zero during the last two or three years. Does not this rebuke the theories of our politicians and so-called statesmen? For the theory they have been preaching has been that if we permitted centralization and co-operation in business it would bring hardship and ruin to our people; while the actual carrying out of such a policy in Germany has resulted in the industrial prosperity and contentment of her people.

Whatever may be said or thought regarding Germany's attitude in the present war, no thoughtful, studious man, who has taken the pains to study Germany's commercial evolution during the last twenty-five years, can for one moment doubt that her statesmen have been on the right industrial track; that they have been long-headed and far-sighted; that they have cast off the economics of the past and taken on the economics of the future; that they have discarded old laws and old methods and enacted new laws and adopted new methods, to keep abreast of the new age in which the world is moving and living; and that all this has been to the great material advantage of Germany's people as a whole.

On the other hand, no thoughtful, studious man who has taken the pains to study our own commercial evolution during the last twenty-five years, can for one moment doubt that our so-called statesmen have been on the wrong industrial track; that they have been short-sighted; have refused to cast off the economics of the past and take on the economics of the future; have refused to discard old laws and old methods and to enact new laws and adopt new methods,

to keep abreast of the new age in which the world of to-day is moving and living; and that all this has been to the material disadvantage of our people as a whole.

Is it not high time that we called a halt; that we got our bearings, both at home and abroad? Is it not just possible that Germany's industrial programme is more in keeping with the twentieth century than is our own industrial programme? If so, will she not outstrip us in the next quarter of a century in the race for commercial supremacy? Is it not just possible that our statesmen have been wrong in claiming that the commercial salvation of this country depends wholly on the enforcement of their interpretation of the Sherman Law? Is it not just possible that, in place of repressive legislation, what has been and is needed is permissive legislation, with restrictions that will safeguard the people from the avarice of unscrupulous men?

On many occasions I have publicly stated my views on this subject, strongly advocating publicity with Federal regulation of our great interstate and international industrial concerns. I have made known my own views upon the subject of the public policy that is required to enable the economic development of the United States to hold its own with that of Germany. The results of my reflection upon the problem may be summed up in two brief phrases: (1) Federal regulation of our great interstate and international industrial concerns; (2) complete publicity as to the affairs of these concerns. The latter is as important as the former; for both are needed to establish and maintain public confidence in the rectitude and public spirit of the conduct of our great business enterprises. The people must be satisfied that centralized power will not be abused in the future as it has been in the past. For, while human nature may not be as selfish as of old, it is still selfish; and while we can and must discard old economics for new, it is not so easy to discard selfishness for unselfishness. I believe a solution of this problem must come largely through the setting up in this country of some other standard of reward than that of the "almighty dollar"—some other mark of distinction than the number of millions a man is worth or leaves at his death. The yardstick of wealth, as the measure of a man's worth, must give way to the yardstick of service for service's sake. Our industrial system must be such that a man holding a high business position will be held in high esteem as a public servant, receiving two kinds of pay: His

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reward in money and his reward in honors,—both in exchange for service rendered. Publicity, full and frank, would be potential in establishing such a system.

The larger our industrial concerns and the greater the power of individuals, the more searching must be the measure of publicity required of them by law, and the stronger and more constant must be the limelight on their every action. For many years, both privately and publicly, I have strongly advocated and worked for the adoption of the principle of publicity in our business world; I have long been a firm believer in publicity as a cure-all for most industrial ills and as a safeguard for the public's interests. The law of publicity is about the only law governing the President of the United States, to whom the people give vast power. They can do this because everything he does, every move he makes, every word he utters, almost every change of his countenance is watched, recorded and publicly interpreted. It would be impossible to have any code of laws, minutely defining the power of the President, that could possibly be as effective as the power of publicity which constantly regulates and controls him. What better precedent could we have for the regulation and control of our semi-public servants in our great industrial world?

The responsibility for future prosperity is solely up to the sober, able business men of this country. They can no longer shirk this responsibility without disastrous results. They have been shirking it right and left; and they have only been saved up to date because of the unsurpassed resources of our land and the indomitable energy of our men. The limit has been reached, however; and we can no longer defy the new economic conditions and still hold our place in commerce, either at home or abroad. We can no longer leave the solution of this great problem to men of theories, men who talk much and think little, men who do not care for anything except their own political success, whose thoughts are limited in scope to the size of their election districts, who never had a world-wide view or opinion on any subject, men who continually deal in finely rounded but utterly meaningless phrases, in half-truths, in evasions, and who are experts in the art of side-stepping. If our public men insist on being superficial in thought, insincere and cowardly in action, then it is up to the business

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to keep abreast of the new age in which the world of to-day is moving and living; and that all this has been to the material disadvantage of our people as a whole.

Is it not high time that we called a halt; that we got our bearings, both at home and abroad? Is it not just possible that Germany's industrial programme is more in keeping with the twentieth century than is our own industrial programme? If so, will she not outstrip us in the next quarter of a century in the race for commercial supremacy? Is it not just possible that our statesmen have been wrong in claiming that the commercial salvation of this country depends wholly on the enforcement of their interpretation of the Sherman Law? Is it not just possible that, in place of repressive legislation, what has been and is needed is permissive legislation, with restrictions that will safeguard the people from the avarice of unscrupulous men?

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men, little and big, to see to it that such men are elected to stay at home and that others are sent to our legislative bodies, who will have broader vision and higher ideals.

No greater evidence has ever been given of the intelligence of our people than that which is being given, right now, in the unmistakable change that is coming over their minds as to the methods under which business must be conducted in this country, if prosperity is to be ours. For years our public speakers have filled the people full of a false doctrine and very little, if anything, has been given to them on the other side of the question; yet through their own intelligence they have begun to see the light and, I feel certain, are now ready to listen with impartial care to an educational campaign on this whole question.

The people know that something is radically wrong. They are in a thoughtful mood and this provides the best possible opportunity and occasion for an educational campaign to thresh out with the people the great difference between economics new and economics old. The time is as ripe for an educational campaign on this subject as it was for the campaign of Gold vs. Silver, in 1896.

Economics new in place of economics old will open up to our great country an era of prosperity—permanent general prosperity—the like of which we have never known,—prosperity that will be ours in an abundance beyond the hopes and dreams of even the greatest optimist.

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